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The Challenge of Integrating LDCs into the Multilateral Trading System: Coordinating Workshop for Senior Advisors to Ministers of Trade in LDCs in preparation for the Third WTO Ministerial Conference
Sun City, South Africa: 21-25 June 1999

INTEGRATING LEAST DEVELOPED COUNTRIES INTO THE GLOBAL ECONOMY: PROPOSALS FOR A COMPREHENSIVE NEW PLAN OF ACTION IN THE CONTEXT OF THE THIRD WTO MINISTERIAL CONFERENCE *

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* As adopted at the Coordinating Workshop's final plenary on 25 June 1999.

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A. Communiqué

1. The Senior Advisers to the Ministers of Trade in the Least Developed Countries (LDCs) met in a Coordinating Workshop, jointly sponsored by the Government of South Africa, UNCTAD and UNDP, in Sun City, South Africa from 21 to 25 June 1999.

2. The meeting reviewed the experiences and problems of LDCs in implementing the Uruguay Round Agreements and assessed the impact of the implementation of these Agreements on their trade and development prospects. The meeting examined the question of enhancing LDCs' capacities to participate actively in the process of global trade rule-making and in identifying issues of interest to them in order to safeguard and promote potential benefits and to protect against possible risks and losses. The meeting also provided an opportunity to formulate proposals for a Comprehensive New Plan of Action for Integrating LDCs into the Global Economy.

3. The meeting expressed concern at the continuing marginalization of LDCs from the mainstream of a rapidly globalizing world economy, as reflected in their low and declining share in world trade, investment and output. In the globalizing and liberalizing world economy, LDCs face much greater challenges in overcoming their marginalization and require comprehensive and well coordinated support measures from the international community.

4. The meeting noted with deep concern the precarious socio-economic situation and the structural weaknesses inherent in the economies of the LDCs which relegate these countries to a weak competitive position in the current global economic setting. The majority of the population of LDCs, notably women, remain trapped in abject poverty and social exclusion. The challenges facing the LDCs in this context can be summed up in the following categories: (i) reversing the decline in economic and social conditions in these countries; (ii) reactivating and promoting economic growth, recovery and development; (iii) enhancing the process of structural transformation in these economies and reversing their continued marginalization in world trade; and (iv) ensuring their full and successful integration into international trade and the global economy on an equal footing. In this context, the strengthening of democracy, broad-based popular participation with a gender balance and good governance were emphasized as prerequisites and critical inputs in the creation of an enabling environment for sustainable human development in LDCs.

5. The meeting was encouraged by the continued and concerted efforts made during the 1990s by the LDCs themselves and many of their development partners in order to improve the prevailing bleak socio-economic conditions in these countries. At national level, strong commitment to the implementation of economic reforms by Governments of the LDCs has brought about significant economic improvements. However, many of the constraints facing these countries are structural, and the reform gains attained in the last two decades have proven insufficient to redress the precarious socio-economic conditions in LDCs. As a result, these economies remain fragile and susceptible to internal and external shocks - political, social, financial or otherwise.

6. The meeting also noted initiatives in favour of LDCs undertaken on the international front, including the convening of two UN Conferences on LDCs, which adopted the Substantial New Programme of Action and the Paris Programme of Action in the 1980s and the 1990s respectively, the Marrakech Declaration and Ministerial Decision in favour of LDCs, the convening of the High-Level Meeting on Integrated Initiatives for LDCs' Trade Development by the World Trade Organization, and the adoption of the Integrated Framework for Trade-Related Technical Assistance being implemented by IMF, ITC, UNCTAD, UNDP, the World Bank and WTO. These initiatives are a clear manifestation of an increasing awareness and concern on the part of the international community on the declining socio-economic conditions in the LDCs and on the need to take corrective action.

7. The meeting, however, noted with grave concern that the numerous declarations, promises and commitments emanating from the above events in favour of LDCs have to a large extent failed to materialize. As a result, the benefits from national policy reform and adjustment programmes adopted by the LDCs themselves were not fully realized and in some cases have had a negative impact. In this context, the meeting called upon the international community to honour its commitments to its weakest members and provide concrete support commensurate with the development needs of the LDCs.

8. The meeting noted with great concern the shrinking aid effort of the major donor group, particularly the member countries of the Development Assistance Committee (DAC) of the OECD and the continued decline in ODA. The meeting welcomed recent initiatives to alleviate the debt burden on the LDCs and underlined the need for concrete, faster and substantial action. Similar concern was raised over lack of market access, the decline in commodity prices, the overdependence of LDCs on one or two commodities for their foreign exchange earnings, and the lack of financial flows, which continues to constrain further LDCs' growth and development prospects. Collectively, these problems have undermined efforts made by the LDCs to breakout of their inherited dualistic economic structures.

9. The meeting stressed the need for the globalization process to be tamed and managed by the international community in a way that facilitates the integration of LDCs into the world economy and at the same time offers a more equal sharing in its benefits.

10. In this regard, the meeting emphasized that meaningful and beneficial integration of LDCs into the global economy and multilateral trading system requires concrete actions by the LDCs and their development partners to strengthen LDCs' supply capacities, *inter alia* through the development of physical and institutional infrastructure and human resources development, unencumbered and improved market access, and retained flexibility in the use of appropriate policy instruments to strengthen competitiveness of sectors of strategic importance for the development of their trade. The initiative for duty-free treatment for all products of export interest to LDCs should be implemented immediately.

11. The meeting took the view that the scope of the multilateral trade agenda, the structure of negotiations and the timeframe will have great bearing on the ability of LDCs to participate actively in the light of their limited human and financial resources. The meeting also emphasized that special and differential treatment measures are of great interest to LDCs and should be made an integral part of the rules and disciplines governing the multilateral trading system. Fast-track accession to WTO by those LDCs which are not yet members should also be an important part of the efforts by the international community to integrate LDCs into the world economy.

12. The meeting decided that the outcome of the deliberations be presented as formal proposals by LDCs to the preparatory process for the Third WTO Ministerial Conference, during the Conference itself and in other relevant forthcoming major trade and development forums such as UNCTAD X and the substantive preparations for the Third UN Conference on LDCs. The meeting endorsed the strategy of collective bargaining in furthering the interest of LDCs in a rule-based multilateral trading system and further resolved to establish a working group to be entrusted with the task of following up on the proposals and issues related to LDCs within the WTO work programme.

13. The meeting underlined the importance of the provision of technical assistance to LDCs by both bilateral and multilateral development partners to enhance the LDCs' efforts to contribute to the formulation of a positive agenda and to build up the negotiating capacity in these countries. In this regard, UNCTAD through the Office of the Special Coordinator for LDCs, and in cooperation with the UNDP, WTO, ITC, and other relevant organizations, was requested to continue assisting LDCs in the pursuit of negotiations to achieve the above stated objectives.

B. Conclusions

1. After consideration of concerns expressed about the risk of the marginalization of LDCs posed by globalization, the Meeting concluded that a collective strategy for the LDCs should be formulated for the forthcoming Seattle Ministerial Conference.

2. Following discussions on the benefits of membership of WTO, the Meeting concluded that there are nonetheless gains to be attained from rule-based system in terms of transparency, non-discrimination and improving competitiveness in LDCs.

3. With regard to concerns about the inability of LDCs to take full advantage of the opportunities provided by the WTO Agreements, the Meeting identified a variety of constraints, including: (1) shortage of skilled personnel; (2) complexity of WTO rules and working structures; (3) lack of awareness and full information on the rules; (4) inability to upgrade domestic regulations; (5) weak institutional infrastructure; and (6) high cost of maintaining missions in Geneva.

4. The Meeting concluded that the constraints on the LDCs' ability to benefit fully from the WTO are further compounded by the abuse by the developed countries of their position in their exploitation of technical loopholes that resulted in them avoiding full liberalization and an opening up of their markets to LDC products.

5. Following a full discussion on how to redress the asymmetries in the LDCs' and the developed countries' use of the WTO Agreements, the Meeting resolved that the forthcoming negotiations should be used to improve the implementation of the existing Agreements on the one hand and should include a 'positive agenda' for LDCs to bring enhanced benefits on the other.

6. The Meeting stressed the need to ensure that the negotiations are centered on development issues, whilst recognizing that it would be crucial for LDCs to receive targeted assistance.

7. The Meeting acknowledged the availability of assistance under the Integrated Framework for Trade-related Technical Assistance to LDCs that seeks to increase LDCs' benefits from the assistance provided by the six core agencies, but was critical of the way it has operated so far and called for its evaluation and for more practical assistance.

8. Following a discussion on the lack of momentum and slow progress made in the organization of national round tables with donors envisaged in the context of the Integrated Framework for Trade-Related Technical Assistance, the Meeting expressed its disappointment and acknowledged that the pace of progress has severely constrained the overall implementation of the Integrated Framework adopted by the High Level Meeting.

9. Following further discussion on the technical assistance available to LDCs, the Meeting identified the specific circumstances where the provision of well directed technical assistance would be of particular importance, as follows: (1) implementation of the existing WTO Agreements; (2) support for the forthcoming negotiations, and (3) the accession of LDCs to the Agreements.

10. After having considered the particular challenges for LDCs in the accession process, the Meeting agreed that, in future multilateral trade negotiations, the development needs of LDCs must be taken into account, and it endorsed the suggestion that the next round of negotiations should be a 'development round'.

11. The Meeting concluded that, while LDCs should have the primary responsibility for formulating their own policies and setting priorities to accelerate their economic growth, they should be assisted by the international community not only in designing policies and programmes but also in mobilizing the requisite finance to them.

12. Following calls for improved market access, the Meeting noted that even greater difficulties arise in connection with supply-side constraints and that due attention must be given to this issue.

13. The Meeting agreed that, in order to ameliorate supply-side constraints, which constitute fundamental bottlenecks in the integration of LDCs into the world economy, the international community should adopt innovative, concrete and result-oriented measures to enhance their competitiveness through, *inter alia*, infrastructure and human resources development, export diversification and institution-building.

14. The Meeting recognized the need for coherence amongst and between international organizations, and it was observed, that as a condition for structural adjustment loans, a number of LDCs have been pressurized into undertaking liberalization measures beyond requirements stipulated in WTO Agreements.

15. After considering the forthcoming WTO negotiations themselves, in particular their modalities, scope, duration and structure, the Meeting concluded that the LDCs should have a common negotiating position and, as a means of improving their bargaining position, coalitions should be built with other developing countries.

16. The Meeting considered issues relating to aspects of the WTO Agreement where the LDCs should benefit from and exploit the flexibility built into the implementation of the Agreements, and it agreed that there is a need for the reaffirmation and expeditious implementation of the Marrakesh Declaration and Ministerial Decision on Measures in Favour of the Least Developed Countries.

17. The Meeting heard instances of pressure being applied to LDCs not to make full use of the transitional periods and concluded that LDCs could benefit from close monitoring of the implementation of the provisions that are of particular importance to them, particularly 'special and differential treatment' and 'market access'.

18. The Meeting achieved full consensus on the fact that agricultural liberalization has socio-economic effects in developing countries, especially in LDCs, where the majority of the working population is employed in the agricultural sector, which consists mostly of small-scale or subsistence farmers.

19. The Meeting acknowledged that the agricultural sector makes a substantial contribution to GDP in LDCs, providing food for growing populations and raw materials for domestic industries, and further acknowledged that in an agrarian economy, a decline in agricultural production can lead to problems of food security, a large negative income effect on farmers, and structural socio-economic problems.

20. The Meeting agreed that the scope of the new negotiations on agriculture should take into account the special needs of LDCs, which would experience adverse effects from further agricultural liberalization, and further agreed that LDCs should be given flexibility regarding provision of domestic support for their agricultural sector.

21. The need for harmonization of international standards and the importance of full participation of LDCs in developing such standards was underscored by the Meeting, and it was agreed that national sanitary and phytosanitary (SPS) standards should not be set at levels higher than the corresponding standards set by relevant international bodies (i.e. codex alimentaris) and emphasized that technical barriers to trade (TBT) and SPS measures should not be applied for protectionist purposes.

22. The Meeting acknowledged that unilateralism in setting health standards and worse still changing such standards frequently and without warning undermines the efforts of LDCs in developing competitive exports and capacity-building.

23. The Meeting further agreed that countries resorting to protectionist measures against LDCs in respect of TBT and SPS should pay compensation for loss of income when proved wrong.

24. It was recognized by the Meeting that, in the context of liberalization of trade in services, the scope of the next trade negotiations in services is likely to be built up on the basis of unfinished business, and it was emphasized that, during these sectoral market access negotiations, the issue of movement of natural persons should be pursued.

25. It was further emphasized by the Meeting that, in the negotiations for GATS 2000, particular attention should be given to Article IV of GATT (increasing participation of developing countries) with a view to making this provision more operational and binding, and the Meeting further emphasized that there is a need to identify the potential for trade in services in LDCs through a critical assessment of individual national capacities.

26. The Meeting noted that article 66.2 of the TRIPs Agreement requires developed country Members to provide incentives to their enterprises and institutions so as to promote and encourage the transfer of technology to LDCs to enable them to create a sound and viable technological base.

27. The Meeting also noted that, in order to realize the full potential of intellectual property for the economic development of LDCs, it is necessary for UNCTAD, WTO and WIPO, within their respective mandates and with financial assistance from donors, to enhance the provision of technical assistance to LDCs in this area.

28. The Meeting further noted the necessity for the LDCs to simultaneously build domestic capacity in key sectors in order to realize the full potential of intellectual property for the development of their economies.

29. The Meeting acknowledged that acceding LDCs are being required to make more stringent commitments than those previously applied to LDCs, they have to negotiate every aspect of membership, including special and differential treatment, and that the whole process is protracted and burdensome.

30. The Meeting concluded that a clear and simplified procedure should be established for acceding countries so as to get their membership accepted within a year, and consensus was reached on the fact that LDCs seeking accession should automatically have their status recognized and not be subject to commitments that go beyond those of LDC Members of the WTO.

31. The Meeting recognized the importance of providing LDCs that are not members of the WTO with an opportunity to participate in sessions of WTO main organs, including the Ministerial Conferences, in order to increase their knowledge of the multilateral trading system.

C. Proposals to be submitted to the preparatory process for the Third WTO Ministerial Conference and to the Conference itself

Section A: GATT (1994) Agreements

I. Agriculture

LDCs' exports are still subject to high tariffs, tariff peaks and tariff escalation and suffer from the administration of the tariff rate quota system. This is because developed countries have been slow to implement those provisions of the Agreement on Agriculture that exhort them to implement the Agreement, taking cognizance of the particular needs and conditions of developing countries by providing for a greater improvement of market access opportunities for agricultural products of particular interest to LDCs.

A basic objective of agricultural policies in developing countries, especially in LDCs, is to ensure food security, in particular because most LDCs have structural food deficits and are net food-importing countries – a situation aggravated by their acute balance-of-payments problems. The reduction commitment on domestic support should thus recognize fully the multifunctionality of agriculture in LDCs, including the challenge to sustain economic growth and development and the need for food security.

Proposals

- ***Grant of duty- and quota-free access to all agricultural products, including those in processed forms, exported by LDCs in the resumed negotiations on agriculture.***

- ***Exemption of all LDCs, including those acceding to the WTO, from undertaking commitments on domestic support and export subsidies.***

- ***Provision of technical assistance to LDCs, as envisaged in the Marrakech Ministerial Decision on Measures Concerning Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries, should be enhanced, and made concrete, operational and contractual.***

- ***Urgent contribution by developed countries and international financial institutions towards a revolving fund to help LDCs (and other net food-importing developing countries) to cope with rising food requirements and associated high food import bills and to assist them to increase local food production and capacity, inter alia, in terms of marketing, storage and distribution.***

Export subsidies in some developed countries have had a disproportionately negative effect on trade in agricultural products of export interest to LDCs.

Proposal

- ***Elimination of export subsidies by developed countries, within an agreed time period, particularly for agricultural products of strategic interest to LDCs.***

II. Agreements on SPS and TBT

Article 2.3 ensures that SPS measures shall not be applied in a manner which constitutes disguised restriction on international trade. In reality, however, SPS measures have constituted major barriers to agricultural exports from developing countries, in particular LDCs.

Proposals

- ***Members should adhere to international standards, guidelines and recommendations when adopting SPS measures and avoid taking unilateral action.***

- ***The provision in Article 10.1 of the SPS Agreement should be made more concrete by committing developed countries to providing adequate technical assistance to LDCs as stipulated under Article 9.1.***

Many LDCs have reported severe problems in their attempts to comply with TBT measures that are related to process and production methods (PPMs). This scenario is complicated by the inadequate capacity of LDCs to participate effectively in the international standard-making process and by the disappointingly low level of technology transfer which is necessary for LDCs to improve product quality and standard in order to comply with the TBT requirements in major export markets.

Proposal

- ***Interests of LDCs have to be taken into account by international and regional standardizing bodies in preparing standards, guidelines and recommendations.***

III. Industrial subsidies

Subsidies could play an important role in the economic development programmes of LDCs. However, while subsidies commonly used by developed countries have been categorized as non-actionable, those generally used by LDCs for the development of their industrial base and exports fall into the "actionable" category.

Proposals

- ***Non-actionable categories of subsidies should be expanded to include those subsidies for development, diversification and upgrading of industries which are needed and are commonly used by LDCs. Financial resources should be made available to meet the special needs of LDCs, particularly with respect to the subsidies covered by Article 8.2.c (green subsidies).***

- ***Export subsidies applied by LDCs should be exempted from export competitiveness thresholds.***

IV. Industrial tariffs

There is an imbalance in the current level of market access where special and differential treatment is not reflected in the actual level of market access. This is particularly so, considering the fact that tariff peaks and tariff escalation remain in developed countries for many products of export interests to LDCs. There is the need to ensure that duty-free and quota-free market access granted to LDCs is stable, predictable and commercially meaningful.

Proposal

- ***Unconditional, non-reciprocal, duty-free, quota-free and bound access for all industrial exports from LDCs. Applicable rules of origin should be those defined in Article 1 of the Agreement on Rules of Origin.***

V. Rules of origin

Little progress has been attained in rationalizing the rules of origin under universal preferential tariff schemes such as GSP and the Lomé Convention because of the technical complexities involved in harmonizing rules of origin. The implementation of the Agreement on rules of origin will require substantial technical assistance and realistic transitional periods.

Proposals

- ***Rules of origin for products of export interest to LDCs should be tailored to promote the LDCs' participation in global production chains and the marketing of their products.***

- ***Rules of origin in autonomous and unilateral trade regimes (unilateral preferential trading arrangements) in favour of LDCs should be simplified and harmonized.***

VI. Customs valuation and pre-shipment inspection (PSI)

In view of the dependence of LDCs on custom duties as a source of government revenue, they have expressed the concern that the implementation of new custom valuation methods may imply a significant loss of custom revenue. While acknowledging that the Agreement has in some cases addressed specific problems in their customs administration, LDCs have generally found the notification requirements of the Agreement on PSI burdensome.

Proposals

- ***Extension of the transitional period contained in Article 20 of the Agreement on Customs Valuation to provide a more realistic time frame for LDCs.***

- ***Provision of concrete and substantial technical assistance on customs valuation and preshipment inspection and adequate financing to specialized organizations such as the World Customs Organization.***

VII. Agreement on Textiles and Clothing (ATC)

Unhindered market access for LDCs' textile and clothing exports is crucial considering the role of the textile and clothing sector in industrialization and employment generation in LDCs. This is particularly so because of the inadequate implementation to date of the provisions in Article 1.2 of the ATC in favour of small suppliers, such as LDCs.

Proposals

- ***LDCs' exports should be exempt from anti-dumping duties and safeguard actions.***

- ***Undertaking specific measures such as early implementation of the phasing-out of remaining quotas for LDCs, extension of product coverage, and duty-free access for all LDCs' textiles and clothing exports under preferential trading arrangements.***

VIII. Safeguards

The rationale behind safeguards is that the burden of adjustment should be shared by all exporters of the product to the country whose industry is under threat of injury from increased imports. That being the case, it is difficult to justify the claim that an LDC should share the burden of adjustment in more advanced countries. On the other hand, with increased liberalization of their import regimes, LDCs may find themselves more frequently in situations where they may need to use safeguard provisions themselves.

Proposals

- ***LDCs exports should be exempted from all safeguard actions.***

- ***LDCs that are implementing safeguard action should be exempted from undertaking compensatory measures.***

IX. Anti-dumping

LDCs are at a great disadvantage in initiating anti-dumping measures, considering the technical complexities involved in adopting such measures. Competitive pricing is about the only legitimate means left to LDCs to expand their exports within a context of severe market access restrictions.

Proposals

- ***LDCs' exports should be exempted from anti-dumping action.***

- ***Procedures for the initiation of anti-dumping action should be much simplified for LDCs.***

Section B: Services (GATs and Annexes)

I. GATS framework

Guidelines and procedures for the next multilateral negotiations on services have yet to be finalized and are currently the subject of consultations. As part of the built-in agenda, services will be the subject of the upcoming negotiations. Accordingly, LDCs will need to deepen their understanding of the issues in the negotiations in order to advance their strategic interests.

The services sectors in LDCs are in general limited in their competitiveness and efficiency, and their regulatory infrastructure is not well developed. At the same time, many services have strategic importance in economic development and trade expansion in the LDCs. However, the efforts of LDCs to modernize their services and to establish appropriate regulatory infrastructure are being constrained by their difficult situation.

Proposals

- ***Retain the special and differential treatment measures accorded to LDCs, in particular the right to regulate services sectors to meet their national development policy objectives.***

- ***Evaluate the adequacy of their domestic regulatory regimes in services and identify areas that require strengthening.***

It is most likely that the current ongoing work in WTO to establish rules on specific issues under the GATS will be carried over to the forthcoming trade negotiations. Such issues would have serious implications for LDCs' development policies.

Proposal

- ***Incorporate special and differential treatment measures for LDCs in the development of new rules relating to subsidies, emergency safeguard measures and government procurement.***

Many services are labour-intensive and can be exported through movement of natural persons. As the GATS covers all categories of services and service suppliers, there are services in which LDCs have actual or potential comparative advantage. At the same time, in order to exploit such comparative advantage, LDCs need financial assistance and technologies from more advanced countries.

Proposals

- ***Identify restrictions incorporated in the Schedules of Commitments of other Members that operate as actual or potential barriers to export.***

- ***Strategically liberalize those services geared towards LDCs' national development policy objectives, including through the mechanism of scheduling commitments under the GATS.***

II. Sectoral annexes

(i) Air transport and maritime services

The transport service sector, in particular air transport and maritime services, includes a wide range of highly labour–intensive services where LDCs' suppliers have a potential comparative advantage. However, in order to fully exploit it, modernization of facilities and equipment, as well as upgrading of skills and information technology, would be required.

Proposals

- ***Identify specific subsectors where comparative advantages exist and develop them.***

- ***Conduct systematic studies to identify emerging opportunities.***

- ***Negotiate specific commitments in strategic sectors in accordance with the provisions in GATS Article IV.***

(ii) Financial services

A number of MFN exemptions were maintained when the preceding round of negotiations was concluded in mid-1995. The liberalizing element of GATS is conditional on the extent and nature of sector-specific commitments assumed by individual members. Core provisions relate to: market access (Article XVI), national treatment (Article XVII), and additional commitments (Article XVIII).

The state of the economy and the specificities of the financial sector in each LDC will determine not only which sectors are included for liberalization in the country's schedule, but also what sort of limitations the country inscribes in its schedule under these three core provisions. The developmental implications of commitments made must be carefully examined by LDC Governments within the context of possible costs and benefits of financial sector liberalization, with special attention to the concerns of small and medium-size enterprises, as well as of the rural population.

Proposals

- ***Coordinate financial sector liberalization with other macroeconomic policies.***

- ***Submit country schedules that incorporate limitations designed to ensure a smooth transition in the process of financial sector liberalization.***

(iii) Telecommunications services

Telecommunications services are critical in enhancing efficiency in LDCs' traditional exports sectors. They also facilitate the provisions of new tradeable services such as electronic commerce and data processing.

Proposals

- ***Inscribe in WTO Agreements as a contractual undertaking the provision of technical assistance in the area of personnel training, telecommunications infrastruture, and the drafting of legislation for WTO compatibility.***

- ***Progressive liberalization in this sector should be undertaken so as to support the development objectives of LDCs, particularly those of small island LDCs. It should also aim at domestic regulatory reform and at fulfilling the principle of 'universal service'.***

(iv) Movement of natural persons

Symmetry should be provided in the treatment of internationally mobile factors of production: capital and labour.

Proposals

- ***Identify the particular categories of services in which LDCs have a comparative advantage under this mode of supply of services.***

- ***Identify all those areas where Members have failed to comply with the terms of Article IV.3, which stipulates that they should take into account "the serious difficulty of the least developed countries in accepting negotiated specific commitments in view of their special economic situation and their development, trade and financial needs".***

- ***Collate concrete cases of non-transparent and discretionary measures applied to this mode of service supply.***

- ***Incorporate specific provisions in the GATS to correct the imbalance in the mobility of labour in relation to capital in liberalizing trade in services.***

- ***Improve transparency and predictability in the administration of visa regimes, work permits, licenses, the recognition of professional qualifications and other entry requirements.***

Section C: TRIPS And TRIMs

I. TRIPS

Implementation

LDCs are in the process of taking the necessary steps to prepare for compliance with the provisions of the TRIPs Agreement. Given the need for complex changes in domestic legislation and the requirements for new legislation and institutional and administrative strengthening, compounded by the serious shortage of the relevant expertise, these tasks cannot be accomplished without significant increases in technical assistance and extension of the transitional period.

Proposals

- ***Under Article 67, developed countries should provide specific and practical modalities for the fulfillment of their obligation with respect to providing technical assistance.***

- ***Request the operationalization of Article 66.2 through specific measures by developed countries.***

Built-in agenda

Proposals

- ***Under the review of Article 27.3, there should be a formal clarification that naturally occurring plants, animals, and the parts of plants and animals, including the gene sequence and essentially biological processes for the production of plants, animals and their parts, must not be granted patents.***

A provision should be incorporated to the effect that patents must not be granted without the prior consent of the country of origin of products referred to in the paragraph above. Also patents inconsistent with Article 15 of the Convention on Bio-Diversity must not be granted.
Members should retain the flexibility to develop "*sui generis*" protection regimes suited to the seed supply systems of each country.

- ***In the context of Article 41, there should be a provision authorizing Members to use automatic compulsory licensing for essential drugs in the interest of their supply at reasonable prices in their countries.***

- ***With regard to the dispute settlement system, the transitional period applicable to non-violation complaints should be extended.***

- ***Current work in the relevant international organizations in the area of folklore should lead to its protection for LDCs within a multilateral framework.***

II. TRIMs

Due to institutional weaknesses and administrative and human resource capacity constraints, very few LDCs have been able to meet the notification requirements. TRIMs continue to be an important policy tool for strengthening the production and export supply base necessary to take full advantage of the market access concessions and preferential schemes made available to them by their trading partners. In this regard, local content requirements are particularly important.

Proposal

- ***An open-ended extension of the transitional period should be granted to provide those countries that have not yet fulfilled their notification requirements with another opportunity to notify existing TRIMs and to continue to apply them as long as they remain in the category of LDCs.***

Section D: New Issues

I. Trade and Investment

The built-in agenda includes the obligation to consider whether the TRIMs Agreement should be complemented by provisions on investment policy. A Working Group was established at the Singapore Ministerial Conference to examine the relationship between trade and investment. That group has yet to complete its work and was granted further time by the General Council.

Proposal

- ***Consider carefully the expected recommendations of the Working Group to the General Council.***

II. Trade and environment

The interests of developed countries have dominated the issues dealt with so far in the WTO Committee on Trade and Environment (CTE). It is important that the needs of developing and least developed countries are taken into account in the deliberations of the CTE in order to ensure that recommendations do not disproportionately disadvantage these countries.

Proposals

- ***In environmental protection and "mainstreaming sustainability", positive measures should be considered first before accommodation is sought for the use of trade-restrictive measures in the implementation of multilateral environmental agreements. These positive measures include, inter alia, capacity building and, financial and technical assistance.***

- ***WTO Members should clearly define which domestically prohibited goods (DPG) should be considered at the WTO, establish and implement concrete mechanisms such as a DPG notification system to increase transparency, and develop enforceable obligations for additional technical assistance to monitor trade in DPG by LDCs.***

III. Trade and Competition Policy

The impact of competition policy can be unpredictable. Its benefits are more likely to be realized in the context of sufficient supply capacity. Prevalence of market imperfections in LDCs, in particular with reference to market entry and exit, and supply-side constraints would make it difficult for LDCs to enjoy the benefis of competition policy and ensure that it plays a positive role in their development. The Working Group established by the Singapore Ministerial Conference has initiated an educational process on competition policy. That Group has yet to complete its work.

Proposal

- ***Consider carefully the expected recommendations of the Working Group to the General Council.***

IV. Labour standards

The Singapore Ministerial Declaration confirmed that ILO is the competent body to set and deal with all issues relating to labour standards. Serious concerns still remain regarding direct or indirect attempts to place that issue on the agenda of WTO.

Proposal

- ***Reiterate the position agreed by consensus in paragraph 4 of the Singapore Ministerial Declaration.***

Section E: Dispute settlement

While recognizing that the Uruguay Round has significantly improved the efficacy of the dispute settlement mechanism, so far LDCs have been unable to utilize it because of their lack of financial resources and paucity of legal expertise.

Proposals

- ***Panels should be representative, including panelists from developed, developing and least developed countries.***

- ***The proposed Legal Advisory Centre should be established without further delay in order to meet the needs of LDCs in terms of securing their rights through the use of the Dispute Settlement Mechanism.***

SECTION F: Additional Agreements

Transparency in government procurement

Transformation of the plurilateral agreement on government procurement into a multilateral agreement would entail an onerous burden for LDCs. The issue of transparency in government procurement was deliberated on during the Singapore Ministerial Conference, and work is under way in WTO.

Proposal

- ***Pursue the work mandated in paragraph 21 of the Singapore Ministerial Declaration.***

Section G: Accession to WTO

Of the 48 LDCs, 29 are WTO members and nine are observers, of which six are in the process of accession (Cambodia, Lao Peoples' Democratic Republic, Nepal, Sudan, Samoa, and Vanuatu). Thus, for as many as 13 LDCs, the question of becoming WTO members and beginning the accession process will have to be addressed sooner or later. The first step in integrating LDCs into the global economy and the international trading system is their institutional integration in this system. This should be among the first actions to be undertaken to stem and reverse the marginalization of the LDCs.

Proposals

- ***Least developed country status should be automatically granted at the first Working Party meeting and should be specifically referred to in the report of the Working Party.***

- ***The forthcoming new round of multilateral trade negotiations should not divert attention from the need for a streamlined and accelerated accession process.***

- ***The specific situation of LDCs calls for the establishment of a fast track approach for accession, lasting no more than one year from the date of the submission of the trade memoranda, with a maximum of two Working Party meetings, whichever is earlier, for the completion of the accession process for the LDCs.***

- ***In the process of accession, LDCs should not be called upon to assume obligations or commitments that go beyond what is applicable to WTO LDC members.***

- ***Special and differential treatment provisions should be automatically granted to acceding LDCs for the same transitional period as stipulated in the respective agreement for LDCs, counting from the date of accession.***

- ***No commitments and obligations should be sought from acceding LDCs on issues which are not covered by the MTAs or go beyond them both in the context of WTO accession and in bilateral trade negotiations between an acceding LDC and a WTO member.***

- ***No commitments and obligations should be sought from an acceding LDC as a condition for its accession on membership in the Plurilateral Trade Agreements and acceptance of optional sectoral market access initiatives or other optional legal instruments of the GATT 1994.***

- ***Market access negotiations for acceding LDCs should be simplified by agreeing on specific minimal targets for them in industrial tariffs, agricultural tariffs and services sectors. These should broadly correspond to the actual commitments by WTO LDC members.***

- ***The least developed countries seeking accession to WTO require technical assistance to strengthen their negotiating capacity and to enhance their efforts to implement domestic legislative and economic policies compatible with WTO Agreements. They also need support to enable them to have periodical consultations and exchange experiences on the accession process. A "special window" should be established in the Trust Fund for LDCs, administered by UNCTAD, for this purpose. LDCs' development partners, both bilateral and multilateral, are invited to make generous contributions to the Trust Fund for the above purpose.***

Section H: Miscellaneous

I. Technical assistance

LDCs acknowledge enhanced WTO Agreement-related technical assistance (TA) from various international organizations but note that such TA has often fallen short of their needs and in several cases took too long to materialize.

Proposal

- ***Technical assistance should be regarded as a right for LDCs and an important precondition for meeting their obligations under the WTO agreements. To this end, adequate resources should be provided for technical assistance to LDCs under the regular budgets of key agencies charged with this responsibility according to their respective mandates.***

II. Special and differential treatment

The response of developed countries to special and differential treatment measures has not been encouraging, mainly because the measures lack contractual status.

Proposals

- ***Special and differential provisions in favour of LDCs should continue to be an integral part of the new multilateral trade negotiations and should be provided in a manner which responds to their specific needs, taking into account their level of economic development.***

- ***The transitional periods for the implementation of the Uruguay Round commitments should be extended to provide realistic time frames for LDCs.***

III. Notification obligations

LDCs noted that despite the response by WTO (e.g. Handbook on Notification) to their difficulties in fulfilling their notification obligations, many of them have still not been able to discharge their notification obligations in full.

Proposal

- ***Notification requirements for LDCs should be simplified to facilitate compliance, taking into account their limited administrative capacity and resources.***